CKGSB Investor Sentiment Survey - Quarterly Report (Q3 2026)

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Key Findings

In the current survey period (May-September 2026), respondents lowered their expectations for gains in China's A-share market, reduced their expected rates of return, and showed less willingness to invest. Approximately 58.6% of respondents expected A-shares to rise, down 5.2 percentage points from the previous survey period (April 2026); the overall expected rate of return declined by 1.8 percentage points to -0.7%. This decline was most pronounced for direct stock investment: the net proportion willing to increase their stock holdings fell by 7.3 percentage points to 10.7%. For equity funds, the corresponding proportion declined more modestly, by 1.2 percentage points to 13.4%.

Despite this broad decline in expectations and investment appetite, trading activity in China's A-share market continued to increase. We calculate the turnover ratio as the ratio of trailing twelve-month (TTM) trading value to average monthly free-float market capitalization. Since the end of 2024, the turnover ratio in China's A-share market has continued to increase. From December 2024 to August 2026, the turnover ratio of the Shanghai Composite Index rose from 2.39 to 4.2, and that of the Shenzhen Composite Index from 5.84 to 8.5. In contrast, valuations have not risen substantially: the price-to-book (P/B) ratio of the Shanghai Composite Index increased only from 1.13 to 1.25, while that of the Shenzhen Composite Index rose from 1.93 to 2.4. Taken together, rising turnover and only modest valuation gains suggest a market marked by sharp disagreement rather than broad-based optimism: some perceive stock prices as low and buy on dips, while others regard them as high and sell into strength. Overall, buyers hold a slight edge, and prices are rising slowly amid volatility.

This cautious market sentiment also contrasts with a marked improvement in the earnings of China's A-share-listed companies. From June 2022 through March 2026, year-on-year TTM net profit growth (the sum of the most recent four quarters) among A-share listed companies remained in negative territory; by June 2026, it had recovered to 5.9%. Chinese private enterprises warrant particular attention: their net profit growth emerged from negative territory in the third quarter of 2025, registered growth of approximately 23% for full-year 2025 and the first quarter of 2026, and reached 36.7% in the second quarter of 2026. By sector, net profit growth among companies in China's strategic emerging industries has remained relatively strong since 2022 and reached 36% in this survey period; traditional companies, which had previously remained in negative territory, also rebounded to 2.5%.

The divergence between improving corporate earnings and subdued capital-market sentiment suggests that confidence has yet to recover fully. This weakness extends beyond financial markets: it is also visible in Chinese household consumption. Data released by China's National Bureau of Statistics show that consumption growth in China has continued to weaken: year-on-year growth in total retail sales of consumer goods and retail sales of services fell from 7.2% and 20.0%, respectively, in 2023 to 3.5% and 6.2% in 2024, then stood at 3.7% and 5.5% in 2025, before declining to 1.2% and 5.0% in July 2026. This divergence is reflected in corporate performance. Among A-share listed companies, while hard-technology sectors such as energy metals, batteries, industrial metals, semiconductors, and automation equipment reported relatively strong profit growth, consumer-facing sectors such as real estate, e-commerce, film and television, food and beverages, education, and healthcare services, remained in contraction or recorded growth of only 1%-2%.

One important reason for this weakness in consumption and confidence is the prolonged adjustment in China's real estate market. Notably, while housing prices are still falling, the pace of decline has begun to narrow, indicating early signs of stabilization: from October 2024 to July 2026, the year-on-year decline in prices of newly built residential housing in 70 large and medium-sized cities in China narrowed from 6.2% to 3.6%, while the decline in second-hand housing prices narrowed from 8.9% to 5.4%. In our survey, the proportion of respondents expecting China's housing prices to rise rebounded sharply from 37% at the end of 2025 to 56% currently. Although expectations have improved, this optimism has not yet translated into a comparable recovery in investment willingness in Chinese real estate. After China's introduction of the 'three red lines' policy[1] for property developers in 2021, willingness to invest in real estate plummeted. By the end of July 2024, the proportion of respondents willing to increase investment had fallen to 9.3%, while the proportion willing to reduce investment had risen to 32.6%, leaving the net proportion of respondents willing to increase real estate investment at approximately -23.3%. Conditions have improved slightly since then, but in this survey period the net proportion remained approximately -16.7%, 1.6 percentage points lower than in the previous survey period.

The weakness in household demand cannot, however, be explained by the property downturn alone. It also reflects a broader structural imbalance in the allocation of financial resources. At a time when China's economy needs private enterprises and consumers to generate activity and demand, financial capital continues to flow disproportionately to the government and state-owned

[1] The "three red lines" policy, introduced by Chinese regulators in August 2020, sought to reduce financial risks arising from excessive borrowing by property developers.

It assessed developers against three thresholds: a liability-to-asset ratio, excluding advance receipts, of no more than 70%; a net debt-to-equity ratio of no more than 100%; and a cash-to-short-term-debt ratio of at least 1.

Developers that breached one or more thresholds faced tighter limits on additional borrowing. The policy accelerated deleveraging across the sector and contributed to a sharp contraction in developers' financing and investment activity.

enterprises, while private enterprises and households are deleveraging. According to our estimates, from the end of 2021 to July 2026, liabilities in China's household sector and among private enterprises grew at average annual rates of 3.3% and 4.9%, respectively, compared with 13.7% and 14.7% for state-owned enterprises and China's government sector (including central and local government debt). Among A-share listed companies, the leverage ratio of private enterprises (net interest-bearing debt as a share of net operating assets) declined continuously from approximately 18.6% in 2021 to 14.7% in June 2026, whereas that of state-owned enterprises rose from approximately 26% to 30.9%. Because the role of governments and state-owned enterprises is concentrated primarily on the investment side, a further tilt of financial capital toward them cannot resolve China's structural problem of insufficient demand and consumption.

These domestic imbalances are only one part of the environment confronting investors. Globally, four interacting forces—geopolitics, the AI revolution, climate change, and financial instability—are reshaping both investment opportunities and risks. This adjustment is long-term and systemic, yet investors have not given it sufficient attention.

First, geopolitical risk is becoming a persistent feature. In 2018, Trump launched Trade War 1.0, marking the shift of great-power rivalry from latent to overt competition and exposing global supply chains to their first shock. The outbreak of the Russia-Ukraine war in 2022 exacerbated Europe's geopolitical vulnerability through energy shortages and sent global energy prices higher, spreading geopolitical risk from the Asia-Pacific region to Europe. Since the beginning of Trump's second term, he first launched global Trade War 2.0 in 2025 and then took military action against Venezuela and Iran. In particular, the conflict involving the United States, Israel, and Iran has already resulted in the closure of the Strait of Hormuz and driven global oil prices sharply higher. In 2026, geopolitical conflict is no longer an occasional, localized event; it is increasingly likely to become a lasting force shaping global resource allocation. Yet fewer respondents have become attentive to these risks: approximately 65.5% of respondents in this survey period regarded China-U.S. relations as a major risk, down 4.9 percentage points from the previous survey period; approximately 50.4% viewed security issues in China's surrounding region as a major risk, down 10.9 percentage points; the proportion who believed China-U.S. relations would have a significant impact on investment fell to approximately 52%, down 4.1 percentage points; and approximately 40% believed China's relations with other Western countries would have a significant impact on investment, down 12.9 percentage points. Geopolitical risks are rising while people's attention is declining, a contrast that warrants vigilance.

The second major area of concern is artificial intelligence. The rapid evolution of AI represents another potentially disruptive force, with implications in at least three areas.

The first risk is on employment and distribution. AI has the potential to become a general-purpose technology, as electricity and information technology were in earlier eras, and to substantially raise total factor productivity. This is its optimistic side. Unlike earlier technological revolutions, however, AI directly substitutes not only for manual labor and routine clerical work but also for high-skilled cognitive work such as translation, programming, design, and research. The pace of substitution is fast and its reach is broad, whereas the creation of new jobs often lags the disappearance of old ones. If social security and retraining systems cannot keep pace during the transition, unemployment shocks will translate into a contraction in consumption and social instability, ultimately eroding the fundamentals underpinning corporate earnings and asset prices.

The second is financial stability. Global investment in AI infrastructure has now reached the scale of hundreds of billions of U.S. dollars a year, while gains in U.S. equities are heavily concentrated in a handful of AI technology giants, and market valuations incorporate quite optimistic assumptions about AI monetization. This configuration resembles the internet bubble of 2000: the technological direction may not be wrong, but if massive front-loaded investment fails to monetize as expected, the severity of a valuation correction could reverberate across global markets. Moreover, surging data-center energy consumption is reshaping the global electricity-demand landscape. The growing interdependence of computing power and energy therefore connects AI investment risk with energy-price volatility and geopolitical instability, allowing these risks to reinforce one another.

The third is governance and security. Deepfakes erode the information order, autonomous weapons alter the nature of warfare, and algorithmic bias amplifies social divisions. If artificial general intelligence (AGI) were to become uncontrollable, the probability may be difficult to quantify, but the consequences could be more than humanity can bear. This is why a growing number of scientists, including leading figures in AI, identify AI as one of the existential risks facing humanity.

Yet respondents also failed to give this adequate attention: only 27% of respondents in this survey period believed AI would pose a major risk, down 5 percentage points from the previous survey period; 45.5% believed AI would trigger a massive wave of unemployment, down 3.6 percentage points. The more profound the technological change, the more this market complacency warrants vigilance.

The third major concern is climate change. Climate change poses a major threat to human well-being and, potentially, human survival. It also provides one of the clearest examples of capital markets discounting a long-term risk because its full consequences are not immediately visible. Global warming is not a uniform, gradual process: the frequency and intensity of extreme heat, floods, droughts, and wildfires are rising nonlinearly. The frequent extreme heat events this year, the opening of Arctic shipping routes, and the recent floods in Nepal are all direct manifestations of this trend. For investors, the key concern with climate risk lies in its irreversibility and nonlinearity: once a tipping point is crossed, losses cannot be recovered through hedging or waiting; traditional valuation models are particularly ill-suited to handling such long-tail, irreversible risks. Yet respondents remain insufficiently alert: from 2022 to 2024, an average of

47% of respondents viewed climate change as a major future risk; in this survey period, the share fell to 39%. Risk is intensifying while vigilance is weakening, a contrast that itself merits careful reflection.

Finally, the fourth major concern is the growing debt burden of major economies. As of July 2026, U.S. government debt outstanding had reached USD 40 trillion, approximately 1.3 times GDP. At the end of 2020, yields on one-year and 10-year U.S. Treasury securities were only approximately 0.1% and 0.9%, respectively. They rose steadily from 2021, stayed above 3% after 2022, and as of July 2026 stood at elevated levels of 4% and 4.6%, respectively. As a result, U.S. federal net interest payments as a share of GDP surged from 1.6% at the end of 2020 to 2.4% in 2023 and rose further to 3.2% in 2025. According to U.S. Treasury data, the average remaining maturity of U.S. Treasury debt currently stands at 71 months, or approximately 5.9 years, compared with a 20-year historical average of 65 months, or approximately 5.4 years. This means that the interest burden currently paid by the Treasury still includes some outstanding long-term debt issued during the low-interest-rate period. As this older low-rate debt matures over the coming years and is refinanced at scale in the current high-interest-rate environment, U.S. net interest payments as a share of GDP will rise further. Massive AI investment and continued overseas wars make it difficult for the United States to reduce its deficit and debt; if interest rates continue to rise, the risk of U.S. default should not be underestimated.

The consequences of persistently high U.S. interest rates are not confined to the United States; they have also spilled over into global currency and bond markets. After the Federal Reserve's aggressive rate hikes in 2022, the difference between one-year U.S. and Japanese government-bond yields widened rapidly from less than 0.2 percentage points in 2021 to approximately 5 percentage points in 2023, and still stood at 2.6 percentage points as of August 2026. This persistent yield gap prompted substantial selling of the yen and purchases of the U.S. dollar, causing the yen to depreciate rapidly. The exchange rate weakened from JPY 115 per U.S. dollar at the end of 2021, breaking through the historic thresholds of JPY 150 and JPY 160 per U.S. dollar in succession between 2022 and 2024. In 2026, catalyzed by the black-swan event of the full outbreak of the conflict involving the United States, Iran, and Israel, carry trades increased rather than declined, driving the yen once again under depreciatory pressure. For Japan, the most direct quick fix for supporting the yen exchange rate is to sell U.S. Treasuries on a large scale and buy back yen in offshore markets. Yet that would push up U.S. Treasury yields and could undermine confidence in U.S. Treasuries. In other words, both the yen exchange rate and U.S. Treasury yields represent persistent financial risks that investors must seriously consider in global asset allocation.

**These findings were first published in Chinese and are provided here in English translation.*
**To learn more about the survey or to read its previous reports, please visit the survey's webpage of Cheung Kong Graduate School of Business via:* https://english.ckgsb.edu.cn/knowledge/the-ckgsb-investor-sentiment-survey/